GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:1633
ANSWERED ON:10.12.2004
PERCENTAGE OF PUBLIC LOAN IN GDP
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Will the Minister of FINANCE be pleased to state:

(a) the reaction of the Government on the report of the Asian Development Bank issued in December, 2003 regarding the status of public loan in India wherein it has been mentioned that the total public loan of India is more than 75 per cent of the Gross Domestic Product (GD);

(b) whether the Government propose to take any step to reduce the public loans under any scheme;

(c) if so, the details thereof; and

(d) the ratio of GDP and public loans during the last ten years, percentage-wise?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a), (b) and (c): The Asian Development Bank in its India Economic Bulletin, September 2003 has reported that the level of combined public debt of the Centre and the States amounts to 75.5 per cent of GDP. The Government is conscious of the need for fiscal consolidation to reduce the level of public debt and has been taking a number of steps in this direction. Important steps taken by the Government include, inter alia, enactment of the Fiscal Responsibility and Budget Management (FRBM) Act, 2003, buy back of high coupon securities amounting to Rs.14,434 crore and pre-payment of high cost external loans amounting to US$3753.56 million in 2003-04. The rules under the FRBM Act mandate the Central Government not to assume additional liabilities (including external debt at current exchange rate) in excess of 9 per cent of GDP in 2004-05 and progressive reduction of the limit of 9 per cent of GDP by at least one percentage point in each subsequent year.

The Central Government has also taken a number of initiatives to help States reduce their debt burden. These initiatives include reduction in interest on loans to States and facilitating the States to swap their high cost debt with additional market borrowings and small savings loans. The above measures are expected to result in reducing the level of Central and State debts.

(d) The ratios of combined public debt and liabilities of the Centre and States to GDP for the last ten years are given below.

Debt/GDP ratio

1995-96		58.0
1996-97		56.5
1997-98	58.6	
1998-99	59.5	
1999-00	62.2	
2000-01	66.4	
2001-02	71.4	
2002-03	75.7	
2003-04	76.7	
2004-05	77.9	

Source: Compiled from Handbook of Statistics on the Indian Economy 2003-04, Reserve Bank of India.